

# DEVELOPMENT OF ARTICLE 6 METHODOLOGY TOOLS



Perspectives Climate Research  
Hugstetter Str. 7  
79106 Freiburg, Germany  
info@perspectives.cc  
www.perspectives.cc

THE TOOL DEVELOPMENT PHASE OF THE  
INTERNATIONAL INITIATIVE FOR DEVELOPMENT  
OF ARTICLE 6 METHODOLOGY TOOLS

International Initiative for Development  
of Article 6 Methodology Tools

15.03.2023

## Partners of the International Initiative for Development of Article 6 Methodology Tools:



CARBON LIMITS



## Funders of the Development phase of the International Initiative for Development of Article 6 Methodology Tools:



Department for  
Energy Security  
& Net Zero



Perspectives Climate Research  
Hugstetter Str. 7  
79106 Freiburg, Germany  
info@perspectives.cc  
www.perspectives.cc

© Perspectives Climate Research gGmbH | March 2023  
All rights reserved.

## Table of Contents

<b>Introduction to the Initiative</b>	<b>1</b>
<b>Results of the Development Phase of the II-AMT</b>	<b>2</b>
<b>II-AMT Team</b>	<b>4</b>
<b>Principles Followed by the Expert Team</b>	<b>5</b>

## Introduction to the Initiative

With the adoption of the Article 6 rulebook by COP26 in Glasgow in 2021, operationalisation of international market-based cooperation under the Paris Agreement can start. However, there is a wide gap between the stringent principles and rules agreed under Article 6.4 and 6.2 and the approaches of baseline and monitoring methodologies currently used in international carbon markets, e.g., in the context of the Clean Development Mechanism (CDM) or the voluntary carbon market. To prevent a significant delay in Article 6 implementation there is a need for a pragmatic, yet robust approach to transition the existing methodologies while making them ‘fit for Paris’.

The ‘blind spots’ of existing methodologies can be remedied by the development of specific ‘Article 6 tools’ that can be added to CDM baseline and monitoring methodologies or voluntary carbon market methodologies in a modular fashion. These tools may be useful for Article 6.2 cooperating Parties that want to ensure that the activities generating Internationally Transferred Mitigation Outcomes (ITMOs) are fully in line with the principle of environmental integrity, activity developers seeking registration under the Article 6.4 mechanism, and independent voluntary carbon market standards seeking to align themselves to Paris Agreement requirements. Such an approach to the transition of methodologies represents a compromise and middle ground between those who want to avoid disruption of the international carbon market and those who want a ‘fresh start’.

Against this background, Perspectives Climate Research (PCR) has initiated the **International Initiative for Development of Article 6 Methodology Tools (II-AMT)**. The II-AMT is an independent expert-led process to enable the alignment of approved baseline and monitoring methodologies from the CDM with the rules and principles for market-based cooperation under Article 6 of the Paris Agreement. For this purpose, the group of international methodology experts of II-AMT developed Article 6 methodological tools that can be added to existing CDM or voluntary carbon market methodologies to make them compatible with the new requirements. In addition, the expert team developed a guidance document for the host country of an Article 6 activity to ensure that the country’s participation in Article 6 allows for the achievement of its Nationally Determined Contribution (NDC) and the long-term low-emission development strategy (LT-LEDS). The development of Article 6 tools is crucial for the rapid operationalisation of market-based cooperation under Article 6. It can build on a wealth of past conceptual work on Paris Agreement alignment and on ‘Article 6 readiness’ from a governance perspective.

Following the conceptualisation phase – completed in April 2022 – the development phase of II-AMT was launched in June 2022. The development phase ran until March 2023 and focused on the development of concrete stepwise tools and a guidance document for:

- Demonstration and assessment of additionality
- Robust baseline setting
- Monitoring, reporting and verification (MRV) of emissions, reductions and removals
- Guidance for evaluating mitigation activities’ links to the host country NDC and LT-LEDS

The development phase of the II-AMT was supported by United Kingdom’s Department for Energy Security and Net Zero, the Institute for Global Environmental Strategies (IGES) and Japan’s Ministry of the Environment, and the Swedish Energy Agency (SEA).

## Results of the Development Phase of the II-AMT

The development phase was running from June 2022 to March 2023 with the following activities and objectives:

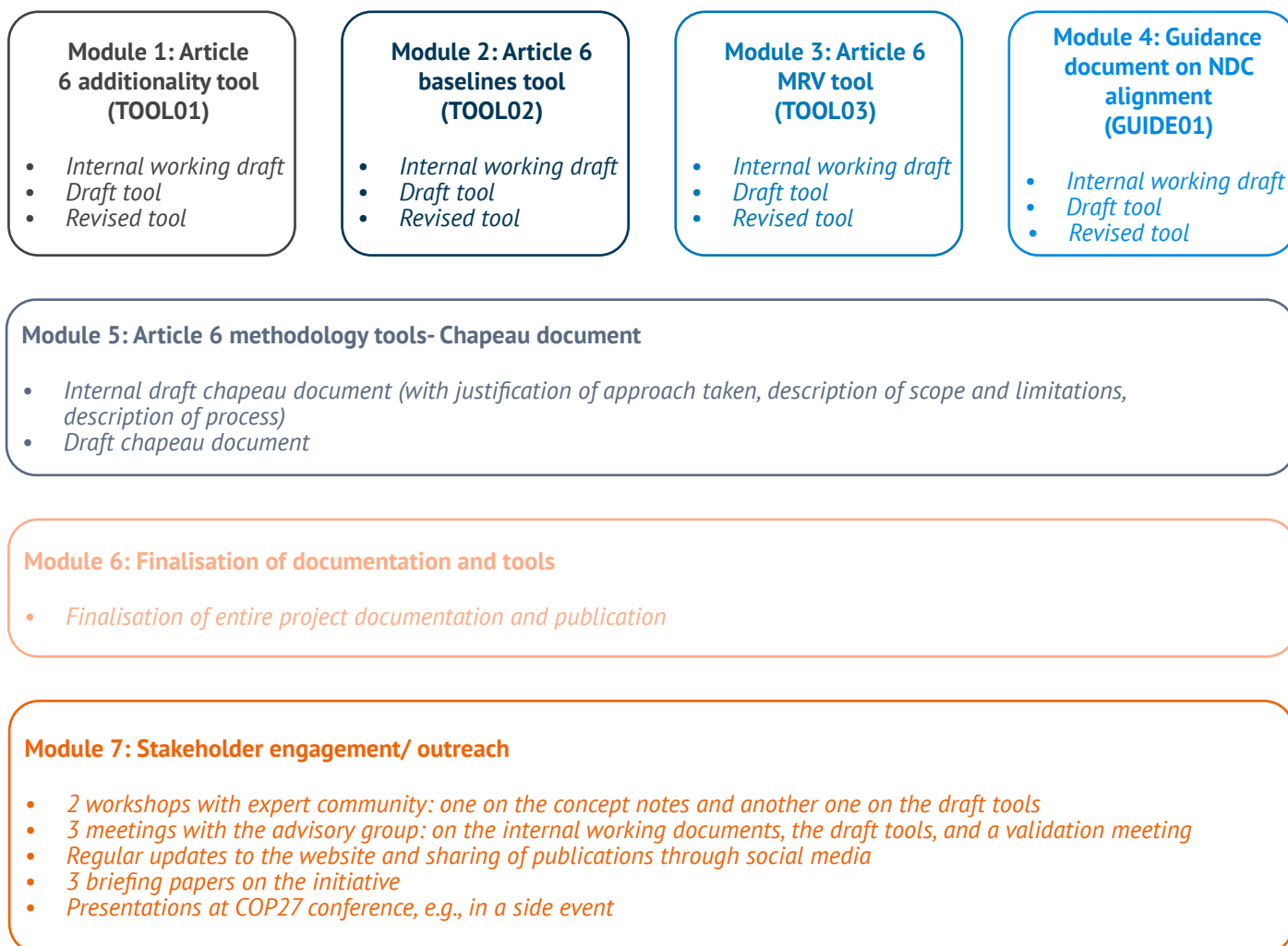
- Development of the three tools and the NDC guidance note in an inclusive process, building on exchanges with the Advisory Group and further technical experts. In addition, the II-AMT sought feedback from all carbon market stakeholders through a public consultation from 15 November 2022 to 16 January 2023.
- Publication of the revised tools and guidance document
- Documentation of the process, assumptions and justifications for the methodological choices taken in the form of briefing papers
- Regular updates and sharing of publications through social media and the website

The respective tools address additionality determination, baseline setting and MRV under Article 6 for project and programme-level activities. The tools do not cover sectoral or policy-level interventions, as these require different methodological approaches to crediting, with attribution of emission reductions to the policy/sector. Experience in the past as well as research has shown that methodologies for policy crediting and sectoral approaches cannot build directly on project or programme-based methodologies. The tools serve as stand-alone documents to operationalise the principles and requirements under Article 6.

The present tools are sector and technology agnostic, meaning that sector- and technology-specific considerations are not reflected in the stepwise approaches to additionality determination, baseline setting and MRV. The baseline tool explicitly specifies that certain steps are not applicable to removal activities. The other tools are generally applicable to all activity types.

The outputs of the development phase were divided into seven modules in the development phase (see Figure 1).

**Figure 1: Modules and Outputs of the Development Phase**



The II-AMT envisages to road-test the tools to ensure their practical applicability. Such piloting and road testing will lead to further refinement of the tools and differentiation according to sector and technology characteristics.

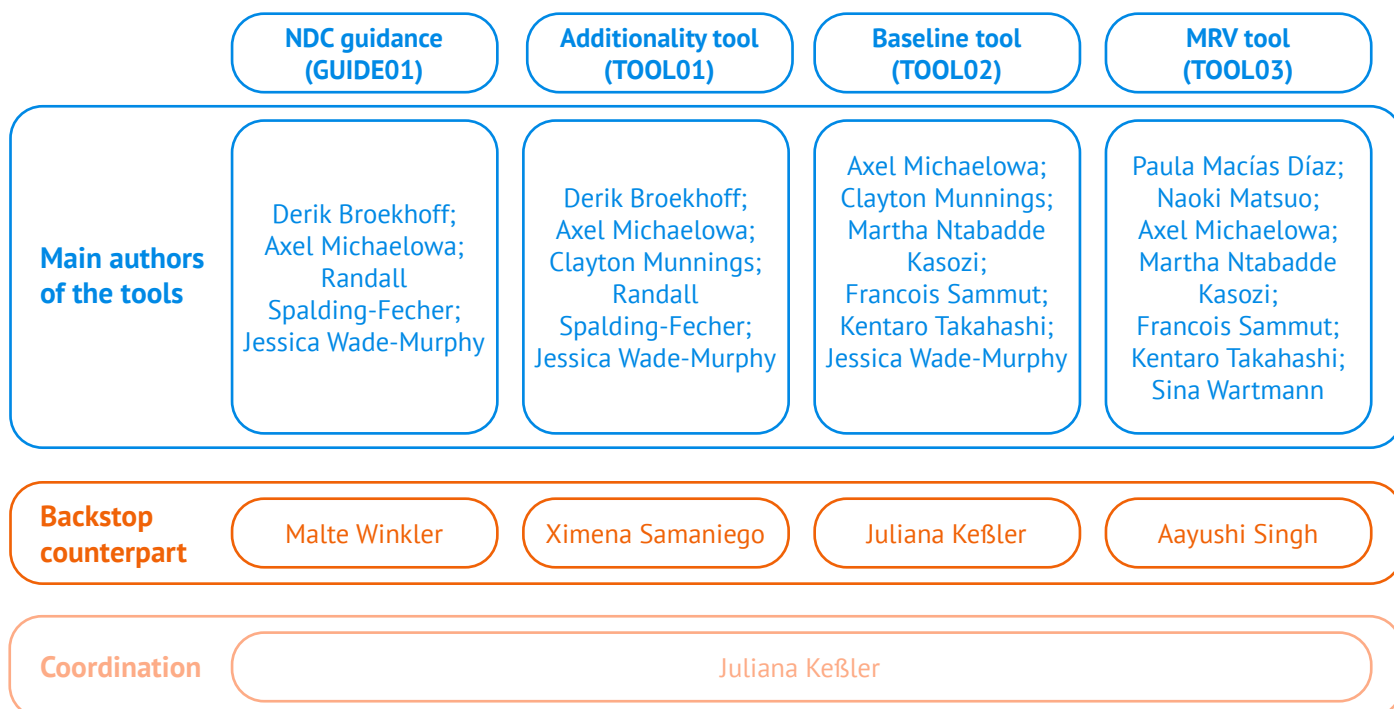
## II-AMT Team

For the second phase of the initiative, PCR convened the following methodology experts with both long-standing experience in carbon markets and crediting mechanisms and deep immersion in Article 6 conceptualisation and activities:

- Derik Broekhoff, Stockholm Environment Institute (SEI), United States
- Paula Macías Díaz, Carbon Limits, Norway
- Naoki Matsuo, Institute for Global Environmental Strategies (IGES), Japan
- Axel Michaelowa, Perspectives Climate Research, Switzerland
- Clayton Munnings, Munnings Consulting, United States
- Martha Ntabadde Kasozi, member of the CDM Methodology Panel, Uganda
- Francois Sammut, Carbon Limits, Norway
- Randall Spalding-Fecher, Carbon Limits, Norway
- Kentaro Takahashi, Institute for Global Environmental Strategies (IGES), Japan
- Jessica Wade-Murphy, Atmosphere Alternative, Colombia
- Sina Wartmann, independent consultant for MRV and Transparency, Germany

The experts were assigned to specific tools but also contributed to the other tools or to the guidance document. The respective expert teams were supported by a backstop counterpart from PCR. The PCR backstopping team consisted of Juliana Keßler, Ximena Samaniego, Aayushi Singh and Malte Winkler. Figure 2 provides an overview of the entire project structure and team.

**Figure 2: II-AMT Project Structure and Team**



Throughout the development phase, the II-AMT project team regularly consulted with the members of the initiative's Advisory Group. The initiative has benefitted greatly from the valuable contributions and perspectives from the experts that participated in the Advisory Group. The outputs of the initiative do not represent any formal consensus or position of Advisory Group members or their organisations.

The Advisory Group comprised the following members:

- Perumal Arumugam, United Nations Framework Convention on Climate Change
- Ricardo Esparta, EQAO
- Thomas Forth, Federal Ministry for Economic Affairs and Climate Action (Germany)
- Anne Götzinger, German Environment Agency
- George Hodgetts, Department for Energy Security and Net Zero (UK)
- Carl-Magnus Kjellman, Swedish Energy Agency
- Luca Lo Re, International Energy Agency
- Arvid Rönnberg, Swedish Energy Agency
- Hugh Salway, Gold Standard
- Chris Shipley, Department for Energy Security and Net Zero (UK)
- Vikash Talyan, Gold Standard

## Principles Followed by the Expert Team

The following principles guided the work of the team of international experts:

- Adherence to well-known and established principles for carbon crediting, including, inter alia, conservativeness, transparency, accuracy, consistency, and comparability.
- Alignment with the Article 6.2 guidance on cooperative approaches.
- Alignment with the rules, modalities and procedures (RMP) of the Article 6.4 mechanism regarding methodological principles, determination of additionality and baseline-setting. To ensure the tools follow a high integrity approach, both "shall" and "should" requirements in the RMP are adhered to.
- Application of the most stringent interpretation of the key principle of environmental integrity in case where different methodological choices would be justified.
- Reduction of transaction costs as far as possible.
- Application of lessons from application of methodologies in international carbon markets to date.